

§ 58-58-140. Group life insurance standard provisions.

No policy of group life insurance shall be delivered in this State unless it contains in substance the following provisions, or provisions which in the Commissioner's opinion are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder, provided, however, (i) that subdivisions (6) through (10) of this section do not apply to policies issued to a creditor to insure the creditor's debtors; (ii) that the standard provisions required for individual life insurance policies do not apply to group life insurance policies; and (iii) that if the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions that in the Commissioner's opinion is or are equitable to the insured persons and to the policyholder, but nothing in this section requires group life insurance policies to contain the same nonforfeiture provisions that are required for individual life insurance policies:

- (1) A provision that the policyholder is entitled to a grace period of 31 days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder has given the insurer written notice of discontinuance before the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during the grace period.
- (2) A provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue; and that no statement made by any person insured under the policy relating to that person's insurability shall be used in contesting the validity of the insurance with respect to which the statement was made after the insurance has been in force before the contest for a period of two years during the person's lifetime nor unless it is contained in a written instrument signed by the person.
- (3) A provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be considered representations and not warranties; and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to the person or to the person's beneficiary.
- (4) A provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of the person's coverage.
- (5) A provision specifying an equitable adjustment of premiums or benefits, or both, to be made if the age of a person insured has been misstated; the provision to contain a clear statement of the method of adjustment to be used.
- (6) A provision that any sum becoming due because of the death of the person insured shall be payable to the beneficiary designated by the person insured, subject to the provisions of the policy if there is no designated beneficiary as to all or any part of the sum living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of the sum not exceeding two hundred

fifty dollars (\$250.00) to any person appearing to the insurer to be equitably entitled thereto by having incurred funeral or other expenses incident to the last illness or death of the person insured.

- (7) A provision that the insurer will issue to the policyholder, for delivery to each person insured, an individual certificate setting forth a statement as to the insurance protection to which the person is entitled, to whom the insurance benefits are payable, and the rights and conditions set forth in subdivisions (8), (9) and (10) of this section.
- (8) A provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the classes eligible for coverage under the policy, the person shall be entitled to be issued by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, and provided further that,
 - a. The individual policy shall, at the option of the person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;
 - b. The individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of the termination, provided that any amount of insurance which shall have matured on or before the date of the termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of the termination; and
 - c. The premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which the person then belongs, and to the person's age on the effective date of the individual policy.
- (9) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured under the policy at the date of the termination whose insurance terminates and who has been so insured for at least five years before the termination date shall be entitled to be issued by the insurer an individual policy of life insurance, subject to the conditions and limitations in (8) above, except that the group policy may provide that the amount of the individual policy shall not exceed the smaller of (i) the amount of the person's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which the person is or becomes eligible under any group policy issued or reinstated by the same or another insurer within 31 days after termination, and (ii) ten thousand dollars (\$10,000).
- (10) A provision that if a person insured under the group policy dies during the period within which the person would have been entitled to have been issued an individual policy in accordance with (8) or (9) above and before such an individual policy shall have become effective, the amount of life insurance which the person would have been entitled to have been issued under the

individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made. (1925, c. 58, s. 2; 1943, c. 597, s. 2; 1947, c. 834; 1991, c. 644, s. 9.)